



AR79

File



Canadian General Electric Company Limited

Directors

J. Alexandre Béland, Louiseville, Que.
Alton S. Cartwright, Toronto, Ont.
Robert V. Corning, Cleveland, Ohio
Paul Desruisseaux, Q.C., Montreal, Que.
Stanley C. Gault, Louisville, Ky.
Harold M. Griffith, Toronto, Ont.
Edward E. Hood, New York, N.Y.
Robert B. Kurtz, Stamford, Conn.
William F. McLean, Toronto, Ont.
MacKenzie McMurray, Montreal, Que.
Sigurd D. Medhus, Toronto, Ont.
Maxwell C.G. Meighen, Toronto, Ont.
Alan G. Trites, Q.C., Toronto, Ont.
Paul E. Wallendorf, New York, N.Y.
Walter G. Ward, Toronto, Ont.

Officers

Chairman of the Board and Chief Executive Officer
Walter G. Ward

President

Alton S. Cartwright

Vice Presidents

Stanley R. Adamson
William R.C. Blundell
Douglas R. Brown
Victor L. Clarke
L. Robert Douglas
Max Drouin
Robert N. Fournier
Robert T.E. Gillespie
Alfred M. Hurley
Archibald F. Johnston
Sigurd D. Medhus
Albert R. Nobbs
Reginald D. Richardson
Ronald M. Robinson
William D. Rooney
Robert Story
Robert S. Thompson
Alan G. Trites, Q.C.
Commercial Vice President
W. Frank Wansbrough

Secretary

Alan G. Trites, Q.C.
Assistant Secretaries
Ivan A. Grantham
Carl B. Haller
George W. Harrigan

Treasurer

William J. Briggs

Controller

V. Gerold Staffl

Head Office

214 King St. West, Toronto, Ont.

Active consolidated subsidiaries

Amalgamated Electric Corporation, Limited
Dominion Engineering Works, Limited
Dominion Engineering Company Limited
Genelcom Limited (formerly Cowley Electronic Services (1961) Ltd.)
Montreal Armature Works Limited
W. L. Stevens Ltd.

Auditors

Peat, Marwick, Mitchell & Co., Toronto, Ont.

Transfer Agent and Registrar

National Trust Company, Limited, Toronto, Ont.

The front cover symbolizes the dynamic positioning of Canadian General Electric to serve the growth markets of the future. The upper module represents these markets, and the three lower modules the product Divisions organized to serve them – Apparatus and Heavy Machinery, Consumer Products, and Construction and Industry Supplies. With the help of all CGE people, the Company set new records in sales and earnings in 1972.

Power transformer manufacture at Guelph plant captures interest of Directors following regular Board meeting.



Highlights of operations

	1972	1971
Financial		
(Dollar amounts in millions; per-share amounts in dollars)		
Sales of products and services	\$530.2	\$495.8
Net earnings	18.6	14.5
Earnings as a percentage of sales	3.5%	2.9%
Net earnings per share (a)	\$ 2.27	\$ 1.77
Dividends declared per share:		
Common	1.00	1.00
Cumulative convertible preferred	1.25	1.25
Plant and equipment additions	15.1	16.7

(a) Assuming all cumulative convertible preferred shares converted to common shares.

Statistical

Average number of employees	17 583	17 950
Number of shareholders of common and convertible preferred	1 500	1 476
Common shares outstanding at year end	7 559 288	7 559 098

Sales by major categories

(In thousands)

Apparatus and Heavy Machinery	\$199 550	\$206 934
Construction and Industry Supplies	213 668	204 019
Consumer Products	148 252	124 420
Corporate eliminations and unallocated items	(31 296)	(39 618)
Total Company	\$530 174	\$495 755

Sales by category include inter-category transactions. To the extent that sales are recognized in more than one category, appropriate elimination is made at the corporate level.

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During 1972 the Company marked its 80th anniversary of serving the needs of Canadians and contributing to the development and growth of Canada. During this period it has applied electrical technology to a wide range of home, farm, and industrial needs contributing to cleaner energy, more productive industry, and safer, easier work in the home.

Sales of Canadian General Electric and its wholly owned subsidiary companies during 1972 were a record at \$530 million, 7% above the previous year. Earnings at \$18.6 million exceeded 1971 earnings by 28%. Earnings as a percentage of sales were 3.5% compared with 2.9% in 1971. Assuming all convertible preferred shares were converted to common shares, net earnings per share rose for the second consecutive year and were \$2.27 compared with \$1.77 in 1971. This improvement in overall Company results was broadly based.

Featured in this annual report are many examples of the contributions CGE people are making toward bringing better living to the nation's families, helping to improve community services, increasing productivity for industrial customers, satisfying the nation's need for clean electric energy, and contributing to Canada's export trade.

Substantial growth was experienced in such diverse product areas as nuclear fuel and fuel handling equipment, major appliances, mobile radio equipment, paper-making machinery, lamps, home

entertainment, and telecommunications. The confidence of foreign customers in the Company's technical and manufacturing capabilities, particularly with respect to heavy apparatus products, was again demonstrated as direct and indirect export sales reached a new high level at \$65 million.

During 1972 all areas of the Company organized a series of action programs under an overall theme of 'Best Buy' which focused on providing the customer with extra values in quality, delivery and service. This provided a means for all employees to become involved and to participate in making the Company's offerings the 'Best Buy'. Employees across the Company joined in with considerable enthusiasm and an impressive number of new ideas.

Two events were of particular significance to the people of CGE in 1972 – the dedication of the Churchill Falls generating station and the Eel River, New Brunswick HVDC terminal. The Company was highly involved in the design and manufacture of the equipments for these projects which are outstanding Canadian achievements not only by our own standards, but by world standards. These projects are particularly significant in that they exemplify the unique opportunities for the development of a leadership role by Canadian industry in selected technologies to the benefit of Canada and for the expansion of our industry base, domestically and internationally.



Ontario Hydro's highly successful start-up performance in 1972 of the Pickering Nuclear Station demonstrated the underlying technological merits of Canada's nuclear power generation program. CGE has long been committed to full support of this important national effort, making significant contributions to technology developments over the years backed by substantial investment. A look back shows a good record of achievements by the Company – including design and construction of the first demonstration nuclear station at Rolphton, placed in service in 1962, and the commissioning in 1972 of the first overseas nuclear plant of Canadian design, in Pakistan. The Company also built the first large scale commercial plant for producing heavy water and provided just over 200 tons in 1972, while continuing to resolve start-up problems. Looking ahead, CGE is well positioned to play its role in the future expansion of the Canadian nuclear program.

During the year much management effort was devoted to the introduction of a new strategic planning process. In brief, this involved new organization and techniques for making a depth analysis and assessment of the various Company businesses so as to identify the strategic significance and the long term potential of each, and then allocating resources on a selective basis for optimum growth and earnings. Thus, the Company is positioning itself toward the most favourable market opportunities for domestic and export

growth. Implementation programs are now in their early stages.

The Company firmly believes that Canada must take steps to ensure fairer trade as well as freer trade. Overseas markets must be open to Canadian electrical manufacturers. CGE will continue its efforts to counter unfair trading practices and to pursue overseas opportunities.

The Company enters 1973 with two years of experience under its new Division organization structure, with major groundwork completed in its new strategic planning process, and with a number of new product entries in growth markets.

While Canada's economic performance shows strength and indications are for continued growth, this will depend to a greater than normal extent on resolution of some of the uncertainties both nationally and internationally.

The Company is in a strong position to make increasing use of its considerable resources in the continuing interest of serving the needs of Canadians.

The members of the Board have asked me to express their appreciation to J. Herbert Smith, who retired as Chairman of the Board on June 1, 1972, after forty years of distinguished service to the Company, the last fifteen of which as its Chief Executive Officer. During his term of office Company sales more than doubled. Herb Smith made a significant and lasting contribution to the Company and Canadian industry.

They have also asked me to express appreciation to all the employees of the Company who through personal involvement and dedication enabled 1972 to show continued improvement.

On behalf of the Board of Directors



Chairman of the Board and Chief Executive Officer
Toronto, March 13, 1973.

President

1 Alton S. Cartwright

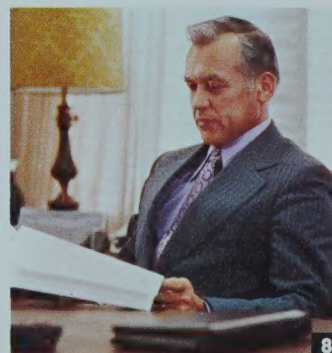
Division Executives

2 William R.C. Blundell
Apparatus and Heavy Machinery Division

3 Reginald D. Richardson
Construction and Industry Supplies Division

4 William D. Rooney
Consumer Products Division

Under President Alton Cartwright, the Company operations are organized in three Divisions—Apparatus and Heavy Machinery, Construction and Industry Supplies, and Consumer Products.



Supporting the Chairman of the Board, the President and Division management is a Corporate Staff of highly qualified functional people.

Corporate Staff

5 Alan G. Trites, Q.C., Law

6 Alfred M. Hurley
Government and Public Relations

7 Douglas R. Brown
Employee Relations

8 Sigurd D. Medhus, Finance

9 Robert T.E. Gillespie
Strategic Planning and Review

10 Albert R. Nobbs
Research and Development



11



12



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11. A new approach to work planning – this Peterborough motor assembly team sets own work assignments – improves product quality, increases work satisfaction.

12. Accent on education – experienced engineers go back to class to update their knowledge.

13. A good place to work – is the city-wide reputation of the meter plant in Quebec City. Three generations of the Daigle family, including those pictured, have worked there.

14. Search for innovation – Engineer Peter Eastcott (r.), leading Company inventor, reviews one of his 35 patents with patent attorney Al Nelson.

15. Cash for ideas – Albert Dumulong (l.) and Pierre Maurice received cheques totalling \$6000 from General Manager Francis Moskal (r.) for suggestions at Montreal appliance plant. Over \$100,000 was paid out in 1972 for employee ideas.

16. Benefits for customers – all employees enthusiastically supported a 'Best Buy' program in 1972 to provide customers with even greater benefits in product values, quality and service.

17. Regular communications meetings – inform employees of business conditions and provide a forum for management answers to employee questions. This one is in the Peterborough plant.



Market opportunities

A strong growth period for the Canadian economy is foreseen in the next few years. This will include significant industrial expansion in the major manufacturing and construction industries. An increased energy supply will be required, resulting in large new investment in electrical generation and distribution equipment. Parallel factors are the ever-increasing size of Canada's labour force and continued growth in new family formations. These will ensure a continuation of the current upsurge in spending for living accommodation, consumer durables and services.

Canadian General Electric is being well positioned to take advantage of these growth opportunities. Management is prepared to capitalize on the favourable alignment of Company resources with future market opportunities, and plans on being a major participant in Canadian national growth.

Growing markets for increasingly large and complex power generation and delivery equipment:

1 Power transmission – wide international attention is centred on this HVDC converter station at Eel River, N.B., where CGE is pioneering in new dimensions in solid state technology.

2 Nuclear power generation – the Company holds a leadership position in supplying the increasing demand for nuclear fuels, fuel-handling equipment and heavy water. Shown is Ontario Hydro's highly successful Pickering nuclear generating station.

3 Hydraulic power – the Company serves a world market for hydraulic turbines (illustrated) and generators to provide clean low cost electric power.

Markets for electric power equipment

It is anticipated that the demand for domestic electrical power will double within the next decade. CGE technological leadership may well prove the deciding competitive factor as demands grow for increasingly larger equipment and improvement in design efficiency. As one of the world's leaders in hydro electric generation, the Company has installed some of the largest turbines and generators ever built and has furnished such units to many countries around the globe.

Steam turbine generators will continue to get bigger, with 500 megawatts and larger units becoming the rule, not the exception. A trend to combined cycle steam turbine and gas (STAG) plants will utilize gas turbine exhaust to make steam. The advantages are increased efficiency and reduced emissions into the environment.

Clean, safe nuclear power will steadily assume a major role. Because of this, CGE, the largest Canadian supplier of fuel, fueling equipment and heavy water, will undoubtedly obtain increasing returns from its investments supporting Canada's nuclear program.

Growth in the power delivery equipment field in Canada is expected to be rapid because of the need to move more electric power longer distances. As such large sources of power as Churchill Falls and James Bay come on-stream, this energy has to be carried to distant urban markets. To transmit electric power long distances

with minimum loss, systems will move to higher voltages, perhaps as high as 1100 kv. Also high voltage DC systems (HVDC) will be employed for transmission and for links tying separate AC grids together. CGE enjoys a particularly strong market position, including a technology lead, in HVDC as a result of work on the Eel River project.

Markets for industrial machinery and components

Canadian General Electric heavy machinery products flow primarily to Canada's resource-based industries. After a period of low capital investment, these industries are now approaching full capacity in many areas. For example, a 12% increase in new machinery for the domestic metal industry is forecast for 1973. In 1972 the pulp and paper industry showed an 8% increase in sales. If this trend continues it will lead to a need for new investment in this area.

The industries served with these heavy machinery products are experiencing severe cost/price inflation, forcing the need for increased productivity and sophisticated production equipment. Opportunities are also opening up for CGE drive systems and automation controls in the steel, cement, machine tool and process industries.

As a supplier to the newsprint market, the Company is in a strong position with new high technology systems (Papri-former) offering higher production speeds, less sensitivity to raw material quality,

and improved cost efficiency.

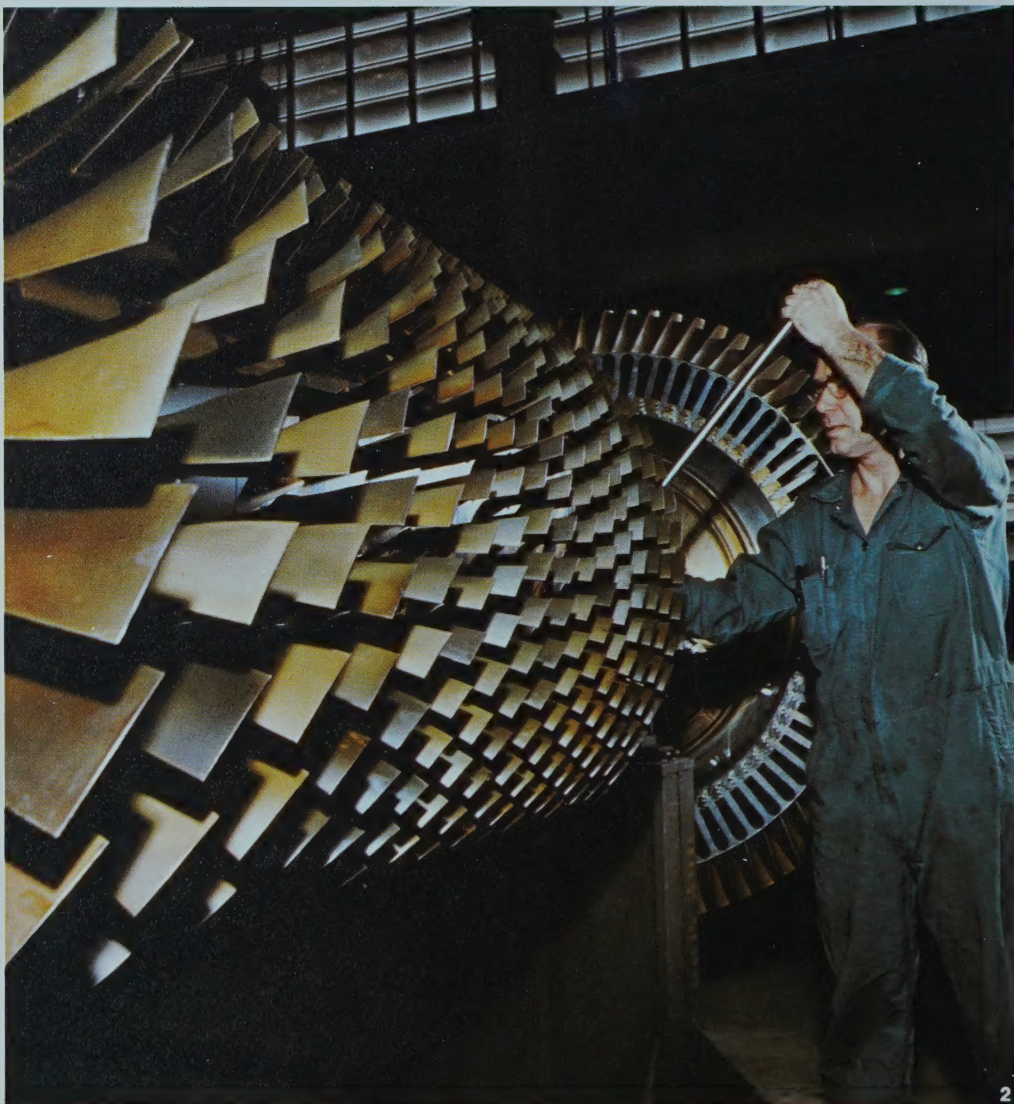
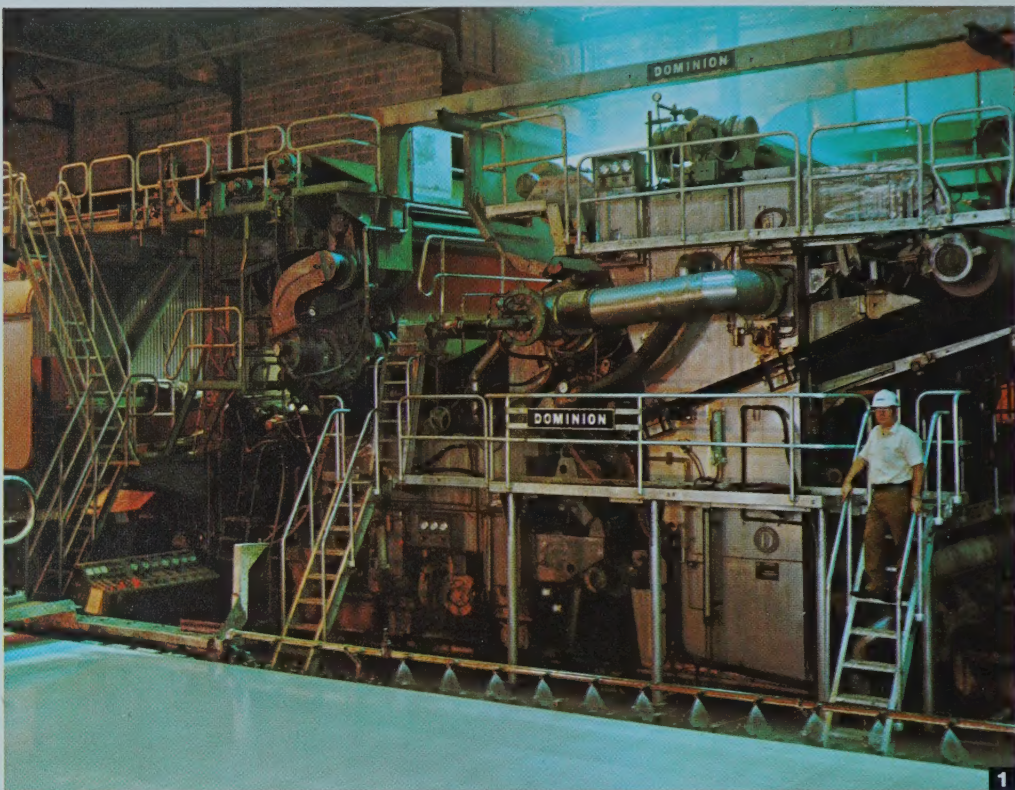
The movement of people and materials provides expanding Canadian market opportunity. Here CGE supplies electric motors, generators and control systems for diesel electric locomotives, rapid transit systems and street cars. Electric wheels are provided to the 'off-highway' truck market for major construction transports and ore carrying equipment. A solid domestic base makes it possible for Canadian manufacturers to export locomotives and trucks so that CGE electric propulsion systems are in use around the world.

With an increasing demand for diesel electric locomotives in developing countries, with most large Canadian cities planning for mass transit systems, and Canada's northern development demanding more and larger off-the-road vehicles, prospects appear excellent for CGE business in this expanding market.

Markets for construction and commercial products

The content of electrical products in construction projects continues to grow, increasing from 6% in 1948 to more than 12% today. It is anticipated that the recent strong residential construction growth rates will moderate in 1973. This will be offset by strong gains in non-residential construction expenditures where forecasts call for increases of 9% in 1973 and 12.5% in 1974.

The Company manufactures a broad product group, including electrical distri-



1 The Papriformer – a space-saving and cost-cutting development for paper-making machines has drawn world attention from the pulp and paper industry.

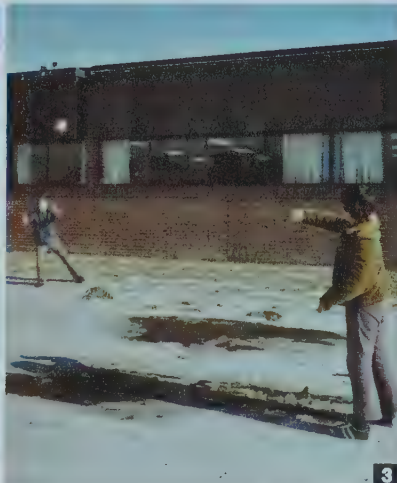
2 Gas turbines – provide power to the expanding needs for oil and gas transmission and link with steam in efficient combined cycle power generation.



bution equipment, lighting and heating systems, ballasts, wiring devices, wire and cable, for the construction industry and serves its customers with Canada's most extensive distribution network. These distribution services provide increasing value to building contractors in the form of advanced business systems, inventory control, materials handling and logistics and are gaining in importance as individual projects become larger and contractors have to be more sophisticated in managing their project cash flows.

CGE is strong in selected segments of the large, pervasive and rapidly expanding Canadian communications market. The Company has technological leadership in advanced mobile radio systems for police, municipalities, taxis and the resource industries. This is a rapidly growing market in which the Company has significantly increased its sales volume in recent years. Data transmission between telecommunication equipment, computers and operators also present a growing need for high speed, reliable electronic equipment. CGE's Terminet, using large scale integrated circuits and high speed print out, is enjoying a strong market demand.

Many computer users prefer to share services with others rather than purchase their own units. This has resulted in development of a rapidly growing time-sharing and remote batch-processing market. Because of the exciting growth potential, the Canadian industry was



1 New concepts in inter-city transportation – this prototype LRC (light, rapid, comfortable) vehicle, using CGE propulsion equipment, has a design speed of 120 mph.

2 New construction applications – this Holiday Inn uses CGE Silicone caulking between its prefabricated concrete modules.

3 New uses for special materials – the virtually unbreakable windows in this school are made of 'space age' Lexan.

4 Electric propulsion for off-highway vehicles – a new Company business involves supplying electric wheels for giant 120-ton capacity ore-carriers.

flooded with new companies over the last five years. Numbers are now thinning and CGE is emerging as the leading company in the Canadian market in this field.

The Company manufactures a range of special materials which are used extensively in the automotive, construction and machinery markets, all of which have favourable future growth prospects in Canada. Engineered plastics such as Lexan and Noryl are being used increasingly for metal substitution. Transparent 'unbreakable' Lexan sheet is being applied as a substitute for glass in glazing applications where breakage is a problem. Tungsten carbide machine tools and metals are supplied to the metal removal and mining industries.

Markets for consumer products and services

Canadian General Electric is well positioned with a line of quality products and a growing consumer product service organization. Consumer demand reached a high level in 1972 and is expected to continue in 1973.

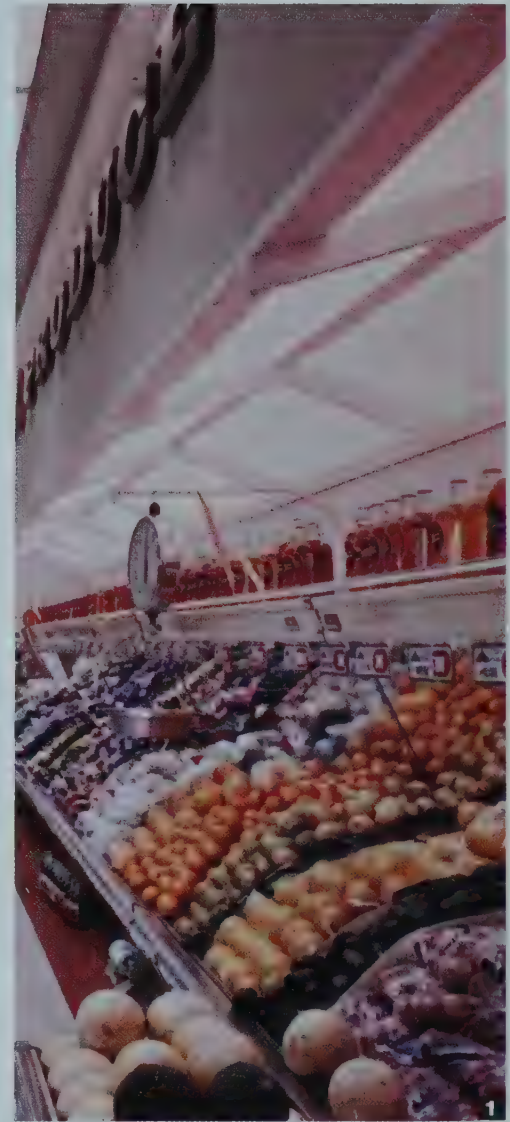
Major appliance sales are likely to remain strong for the next few years. The level of new family formations resulting from a steadily rising percentage of the population in the 25-35 age group, coupled with rising income levels and fewer children per family, will increase the dollar volume available for the purchase of these products. Significant market growth is expected in home laundry products,

placing major emphasis on product quality and product service to maintain and enhance its reputation as a Company responsive to consumer needs and expectations.

The large and growing home entertainment market with its major expansion in color TV, now at 60% of primary market saturation, is served by both domestic and foreign manufacturers with relatively low product differentiation between brands. Canadian General Electric is working to gain leadership strength in distribution and to increase customer satisfaction by providing solid state, high reliability designs backed by skilled product service.

CGE has maintained a major share in the electric housewares market for many years. The Company will continue to develop quality products with unique features and styling for both the Canadian and U.S. markets.

CGE expects the lamp market to expand faster in the immediate future than the GNP growth rate due to construction development to meet new residential and non-residential building demand. The high level of consumer spending is sustaining the demand for photographic lamps. There is also a steady trend to higher illumination levels generally, especially for highway and outdoor area lighting. The Company intends to maintain its position as the leading lamp manufacturer in Canada.



The high and rising demand for electrical products for commercial establishments is being met in such growth areas as:

- 1** Lighting – a promising future is seen for lamp products such as these newly developed mercury vapor lamps which give a warm soft light to this supermarket display.
- 2** Construction products – with rising electrical content in all types of construction an expanding market is anticipated for Company products used in such buildings as Commerce Court, Canada's largest all-electric project.
- 3** Communications – the rapidly growing communications industry quickly accepts breakthroughs in electronic technology, as exemplified by CGE's new Terminet 300 data communications terminal.

For the consumer market new products include the Avante line of housewares (**4**), built-in self-cleaning oven (**5**), Carry-Cool portable air conditioners (**6**) and countertop microwave oven (**7**).

12 dishwashers and air conditioners. CGE is



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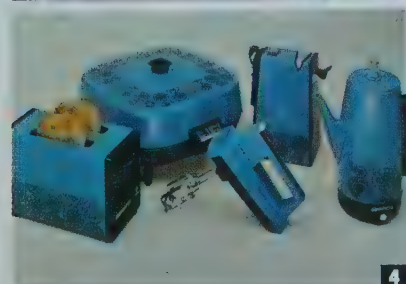


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Representative products and services:

turbines, generators, switchgear, circuit-breakers, transformers, motors, process control, paper machines, grinding and rolling mills, mining machinery, drive systems, transportation equipment, lightning arresters, meters, instruments, and installation and service engineering.

1 Power to serve the nation's growing energy needs flows from the Western World's largest underground powerhouse at Churchill Falls, Labrador.

2 Heavy machining capability is typified by this, the continent's largest gear cutter, designed, built and installed at Dominion Engineering Works.

In 1972, the Division received a significant increase in orders from utility customers for future delivery. Export orders continued to remain strong.

The heavy demand for power generation and transmission equipment, to meet growing electrical energy needs, was reflected in the Division's 1972 operations. These included:

- Engineering started on four giant hydro generators to go into service in 1976-77 at B.C. Hydro's Mica Creek Station.
- Orders from Manitoba Hydro for two additional hydraulic turbines for the Kettle Rapids project.
- Start of production on four generators for B.C. Hydro's Kootenay Canal project.

Significant to CGE and to Canada was the initial start-up in 1972 of the massive Churchill Falls project in Labrador, the largest single-site source of hydro-electric power in the Western Hemisphere. The Company designed and is building five of the large turbine-generator units required.

The Division successfully completed – ahead of schedule – the world's first solid state high voltage direct current (HVDC) terminal. This outstanding pioneering technological achievement at Eel River, N.B., links the electrical systems of Quebec and New Brunswick, and enables surplus power from Churchill Falls to be supplied to the New Brunswick electric power system.

Division engineers played a key role in the design of both the Eel River system and equipment for the station, with 85% of the apparatus manufactured in Canada by the Company. Research will be carried on for the next five years at this, the world's most important base for research and development projects in solid state HVDC power transmission technology.

Electric power equipment export activity included:

- Supply of hydraulic turbines and generators to Brazil and Colombia, hydro generators to India, and steam turbine-generators to Botswana.
- Orders for two hydraulic turbines for

New Zealand's Tekapo B project.

- Orders for four hydraulic turbines for the Moxoto project of Brazil's Companhia Hidro Eletrica Do Sao Francisco.

The Division was a major participant in Canada's Foreign Trade Fair held in Peking, China, last summer, displaying hydro generators, circuit breakers and meters, as well as working models of hydraulic turbines and ore grinding mills.

The Division also broadened its role as a high technology equipment supplier for heavy industry. The successful start-up of the first 'Papriformer' at Kruger Pulp and Paper Limited had international significance. This new twin-wire former is the result of 12 years of concentrated effort by Dominion Engineering Works engineers working with The Pulp and Paper Institute of Canada. Additional orders for 'Papriformers' were received, including an export order from a Texas firm.

In 1972, the Division:

- Designed and built a large reversing cold mill for Dofasco, Hamilton, Ontario.
- Produced a new drive system – and 382 special electric motors – for handling 80-foot railroad rails at Sydney Steel, Sydney, N.S.

An exciting innovation in the specialized off-the-road transport field was delivery of a new motorized electric wheel in 1972. The only unit of its kind in the world, this new product is being installed on huge ore-carrying trucks transporting loads of up to 120 tons of raw material for processing. It provides a smoother transmission of power, is easier to operate, and results in lower operational and maintenance costs.

Long a supplier of electrical propulsion equipment for diesel locomotives, the Division in 1972 provided such equipment to MLW-Worthington for:

- a prototype LRC (light, rapid, comfortable) inter-city passenger train.
- locomotives for Canadian railways and for export to Nigeria, Malawi, Tunisia, Yugoslavia and India.



Representative products and services:

electric distribution equipment and devices, wire and cable, electric furnaces, heating equipment, mobile radio, computer time-sharing services, nuclear reactor fuel and fuel handling systems, heavy water, cemented carbide tools, plastics and silicones.

1 The Division supplies the products which form the 'electrical backbone' of construction in buildings such as those seen here in downtown Toronto. A continuing aim is to reduce the weight and limit the amount of space required for electrical distribution equipment supplied to the construction industry.

2 Advances in the lighting art have brought about ever-higher efficiency in light sources such as these Lucalox units lighting this Calgary intersection.

3 Rapid, dependable communications will be available to Metro Toronto's police through a completely new computerized communications network designed and supplied by CGE.

An encouraging upward trend was evidenced in 1972 by the Division's sales increase over 1971. This was largely due to the strong performance of the residential segment of the construction industry.

The Division succeeded in making new inroads in the construction industry . . . it continued to supply special material to improve product performance and reduce fabrication costs for manufacturers . . . and in the highly technological communications field it designed and built equipment to meet urgent community service needs and business information system requirements. In addition, the Division provided products and services vital to Canada's nuclear power generation program.

A wide range of products for many important construction projects was supplied in 1972. Included was Toronto's recently completed Commerce Court, Canada's largest all-electric business complex. Six Company plants contributed to this multi-million dollar installation.

Highlighting the new products introduced in 1972 were:

- A line of industrial lighting luminaires which provide increased lighting levels, improved lamp efficiency, less power consumption and reduced maintenance.
- FRE (Fibre Reinforced Epoxy) underground ducting. This strong, lightweight, durable tubing has simplified and reduced the cost of installing underground power and telephone distribution systems. Uses include carrying cable under rivers and bridges, in airport runway lighting systems, and in rebuilding underground distribution systems.

The Division broadened its role in 1972 as a supplier of special materials. Notable was the installation of a facility to produce 'unbreakable' Lexan clear plastic sheet. This tough, versatile material is used in the windshields of over 70% of Canadian-built snowmobiles. Uses of Lexan sheet continue to expand and now include window glazing, plastic signs and

lighting diffusers. Lexan and its companion injection moulding resin, Noryl, are also used in telephones, electronic equipment, machine housings, tools and automobile lenses.

Working with Bombardier Snowmobile Limited, Company engineers have developed carbide inserts for snowmobile runners. These provide more positive steering and better machine control.

New opportunities were provided by increasing demands for improved communications systems and faster information processing. In 1972, the Division began a \$3½ million communications project for the Metropolitan Toronto Police Department to replace the present overloaded network. At the heart of the new system will be three CGE computers which can process 16 messages in a fifth of a second! This one project also includes equipping over 700 police vehicles with special 12-channel two-way radios, each with a built-in mini-computer.

Particularly gratifying was the outstanding acceptance by the data communications industry of the Division's new data communications terminal. Terminet 300 is a product with high growth potential because its integrated circuitry provides versatility, high speed and low maintenance costs.

Future growth potential for the Division's nuclear components is bright:

- during the year contracts were obtained to supply 10,000 fuel bundles for Ontario Hydro's Pickering Station.
- in the first full year of operation, concluded in 1972, the Port Hawkesbury heavy water plant produced just over 200 tons of heavy water while working on resolving start-up problems. Higher production is anticipated in 1973.
- 1972 saw the successful full-power acceptance testing of the KANUPP nuclear power project in Pakistan. This nuclear generating station is the first exported by Canada and is an important Company achievement.



Representative products and services: television, radio, stereo, kitchen and laundry appliances, personal and portable electric housewares, lamps, commercial cooking equipment, air conditioners and consumer product service.

- 1 Rapid, courteous, efficient after-sale service is provided by highly trained specialists.
- 2 New sew-and-press iron – the first spray, steam and dry iron designed as an aid for sewing.
- 3 Beauty aids for personal care include speedsetter and make-up mirror.
- 4 Electric kettles – new automatic models switch from fast boil to gentle simmer.
- 5 Quiet convenient electric lawn mowers are gaining increasing favour with Canadian households.
- 6 Portable automatic washer and clothes dryer are engineered for small areas.
- 7 A new 20" portable color TV set features 100% solid state construction and advanced one-touch tuning.
- 8 New humidifiers with electronic air fresheners contribute to climate control in home or office.

A superlative year, surpassing all previous performance records, was experienced by the Division in 1972. It achieved unparalleled sales – 15% above the previous year in a market characterized by increased consumer affluence and a year-long high level of consumer confidence.

An important factor in the Division's rapidly-expanding volume of business has been its positive national advertising theme: 'Service and Dependability – Part of Every Product'. This has been underscored by a customer relations program designed to ensure ever-higher standards of performance in product quality and dependability. It is also evident in the Division's continuing policy of expansion for its consumer product service organization.

Customers purchased a record volume of electrical housewares in 1972. The popularity of the new 'Avante' line of five decorative and portable kitchen appliances, available in three accent colours, was especially notable. Other products introduced included: the sew-and-press iron . . . an exclusive large-capacity electric frypan . . . a new electric kettle and new food mixers.

An exciting stimulus was provided by the introduction of a complete line of personal care products – two high-speed salon hair dryers, men's and ladies' styling dryers, a men's styling comb, a mist/conditioner/dry hair setter, and a hot shave cream dispenser.

Work-saving appliances introduced during the year are already well positioned in the market. These included:

- two new 30-inch 'continuous clean' electric ranges, the products of three years of intensive quality and performance tests. The ovens feature special porous porcelain which disperses grease.
- a complete line of compact appliances – washer, dryer, combination washer/spinner, trash compactor and mini-refrigerator, all designed for young marrieds.
- 13 vacuum cleaners and sweepers . . . floor polishers (more than one-third of all Canadian homes have a CGE polisher)

. . . nine dishwashers . . . a microwave oven . . . electric lawn mowers, and a 'Mini-Mower' grass trimmer which can be operated from a standing position.

In 1972, the Division entered a new and promising market – central air conditioning for the home. Another introduction was the first light-weight, and really portable, 'Carry Cool' room air conditioner. It features a durable plastic structure, a major advance in product technology.

Innovation in new and exclusive electronic air fresheners helped the Division increase its participation in the humidifier market. Development of a highly successful and patented 'water slinger' design has permitted competing at popular prices, and made possible expansion in the United States, selling to the General Electric Company.

Record lamp sales were attained in 1972.

At the same time, a major program of investment in lamp manufacturing equipment was initiated. The first stage is a \$3 million expenditure on new high-speed incandescent lamp manufacturing equipment.

New lamp products included:

- 'Tip Over' Flair and Mod 'Solo' lamps.
- Axial quartzline projection lamps for photographic use.
- Lexan plastic-coated sign lamps.
- Long-life incandescent lamps for use in motels, hotels and apartments.
- High-technology tungsten halogen quartzline lamps.

Consumer products service activities were further expanded in 1972. The Division inaugurated new telephone answering and dispatching systems in the Toronto and Montreal areas to ensure prompt attention to consumers requesting appliance maintenance services. Indicative of the continuing expansion in this important customer service area was the 2½ million miles travelled in 1972 by CGE service trucks located in every large population centre across Canada.

1972 Financial summary

The comments in this financial summary relate to significant items appearing in the consolidated financial statements on the following pages of this report.

The consolidated financial statements and accompanying schedules in this report are a consolidation of the accounts of Canadian General Electric Company Limited and its wholly owned subsidiary companies, except the wholly owned sales finance subsidiaries, whose operations are not similar to those of the consolidated group. Consolidated financial statements for the sales finance subsidiaries, Canadian General Electric Credit Limited and its subsidiary, are shown on page 24.

All inter-Company transactions and profits thereon have been eliminated in the consolidated financial statements. The transactions in foreign currencies are translated at the exchange rates in effect at the time of the transactions, and balances in foreign currencies are translated at exchange rates in effect at the year-end date.

Sales of products and services to customers amounted to \$530 million, a record level, in 1972, 7% above the 1971 level. Sales are reported in operating results only as title to products and materials passes to the customer or as services are performed.

The principal contributor to the sales increase was the substantial year-long strength in consumer appliance markets and an improvement in the market for construction and industry supplies. The volume of apparatus and heavy machinery delivered in 1972 declined by 4%. Direct and indirect export sales including \$17 million representing the balance of a contract for construction of a nuclear power generating station in Karachi, Pakistan, totalled a record level of \$65 million in 1972 compared with \$59 million in 1971.

Comparative sales for each major category of business appear with the highlights of operations on page 3.

Other income includes revenues from royalty and other technical agreements, income from customer financing, income from investments, and net earnings of nonconsolidated sales finance subsidiaries as disclosed on page 24.

Employee compensation, including benefits, amounted to \$178 million in 1972 compared with \$169 million in 1971. The number of employees averaged 17 583 in 1972 compared with the previous year's average of 17 950. In 1972, 18 persons served as Company directors and 27 as Company officers, 5 of whom also served as directors. The aggregate remuneration to directors for their services as directors amounted to \$23 169. The aggregate remuneration to Company officers was \$1 514 150 in 1972.

Substantially all employees of the Company who completed one year of service are participating in Canadian General Electric Pension Plan, the obligations of which are funded through the Canadian General Electric Pension Trust. Investments of the Trust are carried at cost plus unrealized appreciation recognized (\$2.4 million). Two of the Company's subsidiaries maintain their own separate pension plans for their employees. The Trust financial statements appear on this page.

Depreciation amounted to \$17 million in 1972 compared with

\$13 million in 1971. A diminishing balance depreciation method, based principally on income tax capital cost allowance rates, is normally used to depreciate assets other than the Heavy Water Plant which is being depreciated on a straight-line basis.

Interest and other financial charges for the year declined to \$773 thousand, about half of the amount paid in the previous year. Average borrowings during the year were reduced substantially. The interest on long-term debt in 1972 amounted to \$218 thousand compared with \$408 thousand in 1971.

Provision for income taxes amounted to \$15 million in 1972. The comprehensive tax allocation basis is used to calculate the provision for income taxes. Tax effects of timing differences between book and taxable income are recognized and are reported as deferred income taxes in the consolidated statement of financial position.

Net earnings for 1972 were \$18.6 million, 28% above the 1971 level, 52% over the 1970 level, and also were at the highest level in the Company's history. Consumer products led the improvement in profitability as customer demands for these products was strong throughout the year. Cost control and reduction efforts contributed importantly to the earnings improvement.

Basic earnings per common share were \$2.35 in 1972 compared with \$1.81 in 1971. Fully diluted earnings per share, assuming conversion of all convertible preferred shares, were \$2.27 in 1972 and \$1.77 in 1971. The Company paid dividends

Canadian General Electric Pension Trust

Operating statement	1972	1971
(In thousands)		
Total assets at January 1	\$113 144	\$105 764
Company contributions	3 602	3 750
Employee contributions	2 371	2 324
Dividends, interest and sundry income	6 256	5 570
Investment appreciation	1 536	856
Pensions paid	(5 743)	(5 120)
Total assets at December 31	\$121 166	\$113 144

Financial position	December 31	1972	1971
(In thousands)			
Investments		\$113 746	\$105 138
Other assets – net		7 420	8 006
Total assets		\$121 166	\$113 144

Based on an independent actuarial valuation at December 31, 1971 and after taking into consideration unrealized appreciation on investments not yet recognized, it is estimated that there is no unfunded liability at December 31, 1972.

Consolidated statement of current and retained earnings

Canadian General Electric Company Limited and consolidated subsidiaries

	For the year	1972	1971
		(In thousands)	
Income			
Sales of products and services	\$530 174	\$495 755	
Other income	1 870	2 508	
	532 044	498 263	
Costs and expenses			
Employee compensation, including benefits	178 242	168 657	
Materials, supplies, services and other costs	296 617	286 213	
Depreciation	17 241	12 615	
Taxes, except those on income	5 151	4 942	
Interest and other financial charges	773	1 477	
Income taxes	15 466	9 903	
	513 490	483 807	
Net earnings	18 554	14 456	
Dividends declared	8 346	8 347	
Amount added to retained earnings	10 208	6 109	
Retained earnings at January 1	186 706	180 597	
Retained earnings at December 31	\$196 914	\$186 706	
Net earnings per share , fully diluted, assuming conversion of all cumulative convertible preferred shares	\$ 2.27	\$ 1.77	

The Financial Summary beginning on page 20 and ending on page 24 is an integral part of this statement.

of \$1.00 per share to common and \$1.25 per share to preferred shareholders. The year 1972 was the 43rd consecutive year in which dividends have been paid to common shareholders. There were 1500 voting shareholders on record as of December 31, 1972.

Receivables totalled \$87 million at the end of 1972 down from \$94 million at the end of 1971. The receivables balance is net of an allowance for doubtful accounts and includes \$2 million owing by affiliated companies (\$3 million at the end of 1971). Long-term receivables are reported as other assets.

Inventories are valued at the lower of cost or net realizable value and are summarized in a table on this page.

Working capital (current assets less current liabilities) increased by \$8 million to \$107 million at the end of 1972, as summarized in the consolidated statement of changes in financial position on page 25. The working capital position has remained healthy. The ratio of current assets to current liabilities was 1.8 to 1 at the end of 1972 compared with 1.7 to 1 a year earlier.

Long-term investments include the Company's equity in sales finance affiliates amounting to \$1.8 million compared with \$1.5 million at the end of previous year, carried at cost plus undistributed earnings since incorporation. Consolidated statements of Canadian General Electric Credit Limited and its subsidiary, Genelco Realty Limited, appear on page 24. Other long-term investments are valued at the lower of cost or market value.

Plant and equipment is valued at the original cost of land, buildings, equipment, and equipment leased to others, less accumulated depreciation. Details are shown in the table to the right on this page. Additions to plant and equipment in 1972 aggregated \$15 million and dispositions and retirements were \$7 million for a net increase of \$8 million.

Short-term borrowings, those due within one year, totalled \$9 million at the end of 1972 compared with \$12 million at the end of preceding year. Bank loans at the end of 1972 were \$7 million.

22 Accounts payable, consisting principally of amounts owing for materials and services supplied by others, amounted to \$32 million, down from \$40 million at the end of 1971. Amounts due to affiliates at the end of 1972 were \$12 million.

Other liabilities, expenses, and price adjustments accrued are summarized at the right. They totalled \$46 million at the end of 1972 compared with \$42 million at the end of the prior year.

Capital stock of the Company is detailed in the table on page 24. The cumulative convertible preferred stock is convertible, at the option of the holder, to common stock on a one-for-one basis. During 1972, 190 of these shares were converted to common stock. The stock is entitled to an annual preferred dividend of \$1.25 per share. The special employees' preferred stock is redeemable, at par value, at the option of the employee. During 1972, 493 shares were redeemed. Under the provisions of Section 62 of the Canada Corporations Act, \$663 thousand of retained earnings is classified as capital surplus, arising

from the redemption of 13 266 special employees' preferred shares, pending formal reduction of capital. The special employees' preferred stock is entitled annually to a preferred dividend of \$2.50 per share.

Contingent liabilities. The Company is contingently liable under guarantee of certain bank loans amounting to \$4 million and notes payable by a sales finance subsidiary amounting to \$7 million. Other contingent liabilities, consisting of letters of credit, other guarantees, pending litigations and other claims, are not material in relation to the financial position of the Company.

Inventories	1972	1971*
	(In thousands)	
Raw materials and work in process	\$ 64 965	\$ 66 153
Finished goods	51 346	43 849
Unbilled shipments	5 635	20 564
	<u>\$121 946</u>	<u>\$130 566</u>

* Reclassified to 1972 reporting basis.

Plant and equipment	1972	1971
	(In thousands)	
Major classes as of December 31:		
Land and improvements	\$ 4 468	\$ 4 431
Buildings and structures	78 151	77 016
Machinery and equipment	225 271	217 989
Leasehold improvements	282	254
	<u>308 172</u>	<u>299 690</u>
Less accumulated depreciation:		
Buildings and structures	45 063	43 529
Machinery and equipment	115 210	106 024
Leasehold improvements	157	111
	<u>160 430</u>	<u>149 664</u>
Undepreciated cost at December 31	<u>\$147 742</u>	<u>\$150 026</u>

Other liabilities, expenses, and price adjustments accrued	1972	1971
	(In thousands)	
Employee compensation and benefits . . .	\$12 310	\$10 697
Employee payroll deductions	3 118	3 538
Repairs and replacements under warranty .	11 118	10 143
Accrued discounts and allowances	5 258	4 952
Deferred income	318	907
Other	14 210	11 352
	<u>\$46 332</u>	<u>\$41 589</u>

Consolidated statement of financial position

Canadian General Electric Company Limited and consolidated subsidiaries

	December 31	1972	1971
		(In thousands)	
Assets			
Current assets:			
Cash	\$ 4 272	\$	5 011
Short-term deposits	9 860		1 300
Receivables	87 027		93 960
Inventories	121 946		130 566
Deferred income taxes	10 562		10 106
	<u>233 667</u>		<u>240 943</u>
Long-term investments	2 785		2 461
Plant and equipment less accumulated depreciation	147 742		150 026
Costs recoverable under contract	20 069		13 390
Other	5 688		6 098
	<u>\$409 951</u>		<u>\$412 918</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	\$ 9 083	\$	12 354
Accounts payable	32 113		39 960
Progress collections	21 480		41 492
Dividends payable	1 893		1 893
Taxes payable	15 642		4 576
Other liabilities, expenses, and price adjustments accrued	46 332		41 589
	<u>126 543</u>		<u>141 864</u>
Long-term borrowings	—		2 000
Deferred income taxes	47 015		42 844
General reserve	12 300		12 300
Capital stock	27 179		27 204
Retained earnings	<u>196 914</u>		<u>186 706</u>
	<u>\$409 951</u>		<u>\$412 918</u>

The Financial Summary beginning on page 20 and ending on page 24 is an integral part of this statement.

On behalf of the Board:

W. G. Ward, Director

A. S. Cartwright, Director

Capital stock	Number of shares authorized	Number of shares issued		Issued capital		Dividends declared	
		1972	1971	1972	1971	1972	1971
		(Dollars in thousands)					
Common stock, no par value	8 178 800	7 559 288	7 559 098	\$ 9 596	\$ 9 591	\$ 7 559	\$ 7 559
Cumulative convertible preferred stock, \$28 par value	625 000	619 512	619 702	17 346	17 352	775	775
Special employees' cumulative preferred stock, \$50 par value	18 000	4 734	5 227	237	261	12	13
				\$27 179	\$27 204	\$ 8 346	\$ 8 347

**Consolidated statement of financial position of
Canadian General Electric Credit Limited**
and its subsidiary

Financial Position	December 31	1972	1971
(In thousands)			
Cash	\$ 208	\$ 307	
Net receivables (including installments due after one year)	8 403	9 529	
Other assets	24	89	
Total assets	\$8 635	\$9 925	
Notes payable and other accrued liabilities	\$6 869	\$8 464	
Capital stock	1 000	1 000	
Retained earnings	766	461	
Total liabilities and equity	\$8 635	\$9 925	

Current and Retained Earnings For the year	1972	1971
(In thousands)		
Earned income	\$1 033	\$ 973
Expenses – Interest and discount	349	337
– Operating and administrative expenses	88	106
– Provision for income taxes	291	261
Net earnings	305	269
Retained earnings at January 1	461	192
Retained earnings at December 31	\$ 766	\$ 461

Auditors' report

To the Shareholders of Canadian General Electric Company Limited:

We have examined the consolidated statement of financial position of Canadian General Electric Company Limited and consolidated subsidiaries as of December 31, 1972 and the consolidated statements of current and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company and consolidated subsidiaries at December 31, 1972 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick Mitchell & Co.

Chartered Accountants

Toronto, Canada
February 2, 1973

Consolidated statement of changes in financial position

Canadian General Electric Company Limited and consolidated subsidiaries

	For the year	1972	1971
		(In thousands)	
Source of funds:			
Current operations:			
Net earnings for the year		\$ 18 554	\$ 14 456
Depreciation		17 241	12 615
Increase in deferred income taxes		4 171	5 874
		<u>39 966</u>	<u>32 945</u>
Dispositions of plant and equipment		84	751
		<u>40 050</u>	<u>33 696</u>
Application of funds:			
Plant and equipment additions		15 042	16 712
Dividends		8 346	8 347
Increase in long-term investments		324	254
Decrease in long-term borrowings		2 000	1 000
Redemption of special employees' preferred stock		24	33
Increase in costs recoverable under contract		6 679	12 701
Increase (decrease) in other assets		(410)	(870)
		<u>32 005</u>	<u>38 177</u>
Net increase (decrease) in working capital		8 045	(4 481)
Working capital at beginning of year		99 079	103 560
Working capital at end of year		<u>\$107 124</u>	<u>\$ 99 079</u>
Analysis of changes in working capital:			
Cash and short-term deposits		\$ 7 821	(339)
Receivables – current		(6 933)	(8 215)
Inventories		(8 620)	(4 350)
Deferred income taxes		456	468
Short-term borrowings		3 271	19 518
Other current liabilities		<u>12 050</u>	<u>(11 563)</u>
Net increase (decrease) in working capital		<u>\$ 8 045</u>	<u>(4 481)</u>

The Financial Summary beginning on page 20 and ending on page 24 is an integral part of this statement.



Until his retirement on June 1, 1972, J. Herbert Smith had served Canadian General Electric for half of the Company's eighty years. He was its seventh Chief Executive Officer serving in that capacity for the last fifteen years of his busy and productive career. The summary on these pages gives the statistical evidence of growth over ten years of that fifteen year span.

These years were ones of dynamic growth and new investment for the Company. Under his leadership moves were made into major new ventures and new technologies.

Many of these were of considerable significance to CGE and Canada, and included: expansion into the heavy machinery markets through Dominion Engineering; major contributions to the Canadian shipbuilding programs in the early 1960's; and expansion into the total nuclear energy markets through design, construction and installation of plants, manufacture of fuel, and development of Heavy Water facilities.

Through a fine appreciation of the contributions that could be made by a foreign-controlled affiliate in the Canadian environment Herb Smith leaves his successors great strengths in technology, finance and customer service and competitive drive. Canadian General Electric is soundly positioned for continued growth in serving the needs of Canadians.

(Dollar amounts in thousands; per share amounts in dollars)	1972
Sales of products and services	\$530 174
Net earnings	18 554
Net earnings per share (a)	2.27
Earnings as percentage of sales	3.5%

Market price of last sale of the year:	
Per common share	\$32.00
Per cumulative convertible preferred share	32.50
Cash dividends declared:	
Per common share	1.00
Per cumulative convertible preferred share	1.25

Current assets	\$233 667
Current liabilities	126 543
Total assets	409 951

Plant and equipment additions	\$15 042
Depreciation	17 241
Provision for income, property, and capital taxes	20 617

Average number of employees	17 583
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(a) Assuming cumulative convertible preferred shares converted to common shares.

1971	1970	1969	1968	1967	1966	1965	1964	1963
\$495 755	\$489 992	\$492 341	\$454 674	\$427 363	\$415 879	\$365 992	\$324 382	\$311 062
14 456	12 209	15 701	14 630	14 531	18 453	16 575	17 056	13 785
1.77	1.49	1.92	1.79	1.77	2.25	2.02	2.08	1.68
2.9%	2.5%	3.2%	3.2%	3.4%	4.4%	4.5%	5.3%	4.4%
\$28.00	\$19.50	\$24.50	\$33.50	\$33.00	\$45.00	\$52.00	\$44.50	\$36.00
27.00	24.00	27.50	34.00	33.00	44.00	51.50	44.00	36.00
\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$0.625	\$0.30
1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
\$240 943	\$253 379	\$256 127	\$241 028	\$244 962	\$233 849	\$193 132	\$205 527	\$161 623
141 864	149 819	161 007	132 139	128 266	120 713	89 485	101 349	69 974
412 918	409 922	417 818	381 040	354 315	319 379	271 127	274 996	231 507
\$16 712	\$18 320	\$40 351	\$45 349	\$36 431	\$20 988	\$20 569	\$ 9 867	\$ 5 718
12 615	13 374	13 849	13 382	12 583	11 001	9 166	6 918	6 370
14 845	14 641	17 343	18 168	16 735	21 853	19 606	19 916	17 740
17 950	19 789	21 268	20 866	21 749	21 066	18 905	17 139	16 231

